

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA                   :  
  :  
                  v.                            : CRIMINAL NO. 98-603-02  
  :  
BRUCE EDMONDSON                            :

**GOVERNMENT'S CHANGE OF PLEA MEMORANDUM**

I.    INTRODUCTION

Defendant Bruce Edmondson was charged by Superseding Indictment with conspiracy to commit securities fraud and to make false and misleading statements to auditors, in violation of Title 18, United States Code, Section 371 (count 1); securities fraud, in violation of 15 U.S.C. §§ 78j(b), 78ff(a) (count 2); false statements to auditors, in violation of 15 U.S.C. §§78m(b)(2) and (5), 78ff (count 3); mail fraud, in violation of 18 U.S.C. § 1341 (counts 4-7); and wire fraud, in violation of 18 U.S.C. § 1343 (counts 8-12). The defendant - who is a certified public accountant -- was the Chief Financial Officer, Executive Vice President, and member of the Board of Directors of Regal Communication Corporation ("Regal"), the stock of which was publicly traded over NASDAQ. These charges arise from the defendant's participation in a conspiracy from 1991 until about April 19, 1994, in which the defendant with others, including Regal's Chief Executive Officer, co-defendant Arthur Toll (who pled guilty to these charges in August), reported millions of dollars of bogus revenue and accounts receivable in Regal's

financial statements and also diverted Regal stock worth millions of dollars to themselves and entities they controlled without paying to Regal the money due. On September 27, 1999, the defendant will enter a guilty plea pursuant to a written plea agreement.

## II. TERMS OF THE PLEA AGREEMENT:

The plea agreement is made pursuant to Fed.R.Crim.P. 11(e)(1)(C) and provides for the defendant's cooperation. If the government, in its sole discretion, determines that the defendant has fulfilled all of his obligations of cooperation as set forth above, the government will, at the time of sentencing:

- a. make the nature and extent of the defendant's cooperation known to the Court.
- b. file a motion to allow the Court to depart from the Sentencing Guidelines pursuant to Sentencing Guidelines § 5K1.1 to effectuate the agreed upon Fed.R.Crim.P. 11(e)(1)(C) sentence set forth below in subparagraph c.
- c. jointly agree, pursuant to Fed.R.Crim.P. 11(e)(1)(C), that the following sentence is the appropriate disposition of this case: (1) a sentence of 36 months incarceration, (2) a term of 3 years supervised release, (3) a \$10,000 criminal fine to be paid on or before

sentencing, and (4) restitution to be paid as follows:

defendant shall pay by certified check the amount of \$380,000 at the time of sentencing;<sup>1</sup>

defendant shall cause to be assigned forthwith in a form satisfactory to the government the Certificate of Deposit in the amount of \$291,000, No. 33473 held at the Euro Bank Corporation (in liquidation) in the Cayman Islands in the name of Roberta Wagner.

If the court declines to impose this jointly recommended sentence, the plea agreement shall automatically convert to a plea agreement pursuant to Fed.R.Crim.P. 11(e)(1)(B), and this specific sentence shall be the joint recommendation of the

---

<sup>1</sup> In the plea agreement, the defendant acknowledges that the \$380,000 restitution figure includes, among other things, the net value of the defendant's personal IRA account, account no. 3047-8703 with Charles Schwab & Company, Inc., and the custodial account held in the name of Roberta Wagner Edmondson for Scott Edmondson, account number TB 3047-9392 with Charles Schwab & Company, Inc. He further acknowledges that in the calculation of this figure he has been given a credit of \$13,858 to reflect anticipated taxes and/or penalties in connection with the liquidation of the two accounts. In the event this money is not finally paid as taxes and penalties for tax year 1999, the defendant agrees to pay the difference as restitution. The defendant agrees to provide documentation, including copies of filed tax returns, to show payment of any taxes and penalties for these accounts in a timely manner with the government.

parties, although not binding on the Court.

It is also agreed that in either event the parties will not seek either an upward or downward departure under the Sentencing Guidelines, except for the § 5K1.1 departure motion as provided above.

In the event that the Court imposes the sentence jointly agreed upon, both the government and the defendant under the plea agreement have waived their respective rights to file an appeal challenging that sentence under 18 U.S.C. § 3742. In addition, the defendant has waived his right to collaterally attack his sentence, including an attack under 28 U.S.C. § 2255.

The specifics of the agreement are set forth in the unexecuted plea agreement which is attached as Exhibit A. The fully executed plea agreement will be filed with the Court at the time of the entry of the plea.

### III. STATUTES INVOLVED:

#### A. 18 U.S.C. § 371 (conspiracy -- Count One)

Title 18, United States Code, Section 371 states in relevant part:

If two or more persons conspire to either commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title, or imprisoned not more than five years, or both.

To establish a violation of 18 U.S.C. § 371, the government must prove the following essential elements:

1. that two or more persons entered an unlawful agreement to commit offenses against the United States, in this case to commit securities fraud and to make false and misleading statements to auditors;
  2. that the defendant knowingly and willfully became a member of the conspiracy;
  3. that one of the members of the conspiracy committed at least one of the overt acts charged in the indictment; and
  4. that the overt act(s) was/were committed to further some objective of the conspiracy.
- B. Title 15, United States Code, §§ 78j(b) and 78ff(a); 17 C.F.R § 240.10b-5 (Securities Fraud -- Count Two)

In order to obtain a conviction for securities fraud, the government must prove the following essential elements beyond a reasonable doubt:

1. That in connection with the purchase or sale of any security, the defendant did one or more of the following:
  - (a) employed a device, scheme, or artifice to defraud, or
  - (b) made an untrue statement of a material fact or omitted to state a material fact which made what was said, under the circumstances misleading, or
  - (c) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon a purchaser or seller, and
2. that in connection with the purchase or sale of any security, the defendant knowingly used, or

caused to be used, any means or instruments of interstate commerce, or of the mails, or of any facility of any national security exchange; and

3. that the defendants acted willfully, knowingly and with intent to defraud.

C. Title 15, United States Code, §§ 78m(b) and 78ff(a); 17 C.F.R § 240.13b2-2 (Making False and Misleading Statements to Auditors -- Count Three)

In order to prove the crime of making false and misleading statements to auditors, the government must prove the following essential elements beyond a reasonable doubt:

1. that the defendant was a director or officer of an issuer;
2. that the defendant, directly or indirectly, did one or more of the following:
  - (a) made or caused to be made a materially false or misleading statement, or
  - (b) omitted to state, or caused another person to omit to state, any material fact necessary in order to make statements made, in the light of the circumstances under which such statements were made, not misleading to an accountant in connection with (1) any audit or examination of the financial statements of the issuer required to be made pursuant to 17 C.F.R. 240, Subpart A or (2) the preparation or filing of any document or report required to be filed with the SEC pursuant to 17 C.F.R. 240, Subpart A, or otherwise; and
3. that the defendant acted willfully, knowingly and with intent to defraud.

D. 18 U.S.C. § 1341 (Mail Fraud - Counts 4-7)

Mail fraud is prohibited by Federal law which provides in relevant part that:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, . . . [and] for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service or takes or receives therefrom . . . or knowingly causes to be delivered by mail according to the direction thereon. . . .

shall be guilty of an offense against the United States.

To establish a violation of the mail fraud statute, the government must prove the following essential elements beyond a reasonable doubt:

- (1) that the defendant knowingly devised or intended to devise a scheme or artifice to defraud or to obtain money or property by false or fraudulent pretenses, representations or promises as detailed in the superseding indictment;
- (2) that the defendant did so with the intent to defraud;
- (3) that in advancing or furthering or carrying out his scheme the defendant used the mails or caused the mails to be used; and
- (4) that the misrepresentation or concealment was material.

E. 18 U.S.C. § 1343 (Wire Fraud - Counts 8-12)

The law of the United States prohibiting wire fraud provides in part as follows:

Whoever, having devised or intending to devise any scheme or artifice to defraud and transmits or causes to be transmitted by means of a wire, radio, or television

communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice ...

shall be guilty of an offense against the United States.

In order to sustain its burden of proof for the crime of wire fraud the government must prove the same elements as for mail fraud, except in advancing or furthering or carrying out his scheme the government must show that the defendant used a wire communication in interstate commerce such as a fax.

#### IV. MAXIMUM SENTENCE

The Court may impose the following statutory maximum sentence:

- Count 1 (conspiracy) -- 5 years imprisonment, 3 years of supervised release, a \$250,000 fine, restitution and a \$50 special victims/witness assessment;
- Count 2 (securities fraud) -- 5 years imprisonment, 3 years of supervised release, a \$250,000 fine, restitution and a \$50 special victims/witness assessment;
- Count 3 (false statements to auditors) -- 5 years imprisonment, 3 years of supervised release, a \$250,000 fine, restitution and a \$50 special victims/witness assessment;
- Counts 4 - 7 (mail fraud) -- 5 years imprisonment,



3 years of supervised release, a \$250,000 fine, restitution and a \$50 special victims/witness assessment;

Counts 8 - 12 (wire fraud) -- 5 years imprisonment, 3 years of supervised release, a \$250,000 fine, restitution and a \$50 special victims/witness assessment.

Total Maximum Sentence is: sixty years imprisonment, 3 years of supervised release, a \$3 million fine, a \$600 special victims/witness assessment, and full restitution.

V. EVIDENCE IN SUPPORT OF THE ALLEGATIONS:

The government's evidence would prove the following facts, among others, if this case went to trial:

Regal Communications Corporation ("Regal") was a New Jersey corporation located in Fort Washington, Pennsylvania, which engaged in television infomercial marketing through its subsidiary Regal Group, and pay-per-call "900" lines services through its subsidiary Regalfone, Inc. ("Regalfone").

Regalfone's "900" line services included sex talk, psychic and horoscope programs. Regal's common stock was registered with the United States Securities and Exchange Commission ("SEC") and was traded on the NASDAQ, a national securities exchange, between 1992 and April of 1994. Regal and its subsidiaries filed for Chapter 11 bankruptcy protection on September 23, 1994. Regal

and its subsidiaries today are defunct entities.

Defendant Bruce Edmondson, a CPA, was Regal's Chief Financial Officer, Executive Vice President and was a member of the Board of Directors. Edmondson had ultimate authority over the accounting department of Regal Group and directly controlled the accounting department of Regalfone. Moreover, Edmondson was the person responsible for providing financial data to Regal's auditors and for compiling the financial statements that became part of Regal's filings with the Securities and Exchange Commission. These filings were disseminated to the investing public.

Between 1991 and April 19, 1994, defendant Edmondson participated in a conspiracy with co-defendant Arthur Toll, Regal's Chief Executive Officer and Chairman of the Board of Directors, and co-defendant Elliot Fisher, Regal's legal counsel, corporate secretary and a Board member, to commit securities fraud and make false and misleading statements to auditors. In addition, he committed, or aided and abetted the commission, of the substantive offenses charged in the conspiracy (securities fraud and false statements to auditors), as well as mail and wire fraud. As described more fully below, Edmondson -- along with Toll and Fisher -- falsified and caused others to falsify Regal's financial records and arranged for the publication of false and misleading information concerning Regal's financial condition to

the public and Regal's auditors so as to make Regal appear more substantial and profitable than it really was. In addition, Edmondson and Toll - with assistance from Fisher -- diverted Regal stock to himself, to Toll, and to entities that they controlled, and then concealed from Regal's auditors and the investing public that this stock -- worth millions of dollars -- had been diverted without Regal receiving the money due.

**PUBLICATION OF FALSE FINANCIAL INFORMATION: REPORT OF BOGUS  
REVENUE AND RECEIVABLES**

**I. Fiscal Year 1992**

As a result of the defendant's criminal actions described below, Regal's 1992 financial statements were materially false and misleading. In fiscal year 1992, Regal reported retained earnings of \$4.2 million and net income of \$969,883. The government's expert, a forensic accountant, would testify that in fiscal year 1992 Regal actually had negative retained earnings of \$1.26 million and had a net loss of \$4.5 million.

**A. False Regalfone Revenue and Receivables for FY 1992**

In fiscal year 1992 defendant Edmondson, along with co-defendant Arthur Toll, manipulated Regalfone's books and records to conceal their diversion of approximately \$500,000 worth of Regal stock for themselves. In addition, they inflated Regalfone's reported revenue and receivables by approximately \$3 million.

## **1. TEL Free Stock Transaction**

**Overview:** As illustrated in Attachment 1, Edmondson and Toll, with the assistance of Gerald Levinson (a Regal Board member), funneled in April, 1992 over \$500,000 from Regalfone to TEL Entertainment ("TEL") -- a video store owned by Edmondson, Toll and Levinson -- and into their own pockets. More specifically, they transferred money from Regalfone to TEL and then from TEL into their personal bank accounts. They used the funds to pay for their own Regal stock and warrants in Regal's spring of 1992 private placement offering.

At Edmondson's direction, Regalfone's accounting staff masked the true purpose of the transfer of these funds to TEL by classifying the \$500,000 as "equipment purchase deposits" on Regalfone's books (which had the added benefit of being an asset). Although TEL was owned and controlled by Toll and Edmondson, they created fake invoices to make it appear as if the TEL involved in these transactions was a different company in an attempt to discourage Regal's auditors from closely examining the transaction. These invoices referenced an entity in Manhattan (Telephone Equipment Leasing) which was actually a maildrop opened by Edmondson. During Regal's Fiscal Year 1992 audit, Edmondson gave the auditors these fake invoices, as well as accounting "lead sheets" which misrepresented the transaction, and by doing so successfully (1) concealed from the auditors that

these transactions were related party transactions; (2) concealed from the auditors that Toll and Edmondson had stolen over \$500,000 from Regal; and (3) made it appear as if Regal had purchased \$500,000 in equipment assets when it had not.

## **2. Fake MCI Receivable/TEL Transactions**

**Overview:** As illustrated in Attachments 2 and 3, Edmondson and Toll, again with the with the assistance of Gerald Levinson, inflated Regalfone's reported revenues and receivables by funneling approximately \$760,000 of its own money to TEL (and Gateway) and back to Regalfone in June and July, 1992, and treated the funds returning to Regalfone as revenue from MCI. At Edmondson's direction Regalfone's accounting staff masked the true purpose of the transfer of these funds to TEL by classifying the \$760,000 as "equipment purchase deposits" on Regalfone's books. As was discussed above, Edmondson, with Toll's knowledge, created fake invoices to conceal the fact that the TEL involved in these transactions was owned and controlled by them in an attempt to discourage Regal's auditors from closely examining the transaction.

When TEL transferred the funds back to Regalfone, notations on the deposit slips -- made either by Toll or his secretary at his direction -- misrepresented that the funds came from "MCI," not TEL. Tom Hodges, a Regal accountant, then booked the money with Edmondson's knowledge as MCI revenue in

Regalfone's general ledger.

During Regal's Fiscal Year 1992 audit, Edmondson gave the auditors accounting lead sheets reflecting the bogus MCI revenue, as well as the fake invoices to substantiate it. By doing so, the defendants successfully (1) concealed from the auditors that these transactions were related party transactions, and (2) made it appear as Regal had earned \$760,000 in revenue from MCI when it had not.

### **3. Fake "Info" Receivable**

**Overview:** As illustrated in Attachment 4, after fiscal 1992 had closed and its auditors were on site, Edmondson put on Regalfone's books a receivable for approximately \$2,252,325, attributable to "Info," which purportedly had been earned July-September, 1992. This reported receivable is bogus because the government's forensic accountant experts have traced the pay down of the receivable to Regalfone's own money which the defendants caused to be secretly circulated through Clark Advertising back to Regalfone in the form of checks. The checks from Clark to Regalfone were signed by Edmondson. Moreover, Edmondson caused these funds to be classified fraudulently on Regalfone's books as pay downs of the "Info" receivable. During the fiscal year 1992 audit, Edmondson provided Regal's auditors with accounting lead sheets that reflected the bogus receivable and bank statements which he falsely claimed reflected paydowns of the receivable.

**B. False Regal Group Revenue and Receivables for FY 1992**

In addition to their manipulation of Regalfone's books and records, Toll and Edmondson also inflated the revenue and receivables of Regal Group, Regal's infomercial subsidiary, for fiscal year 1992. The two sets of transactions by which they did this are discussed below.

**1. Fake Sale of Irons to Uprise Sales, Inc.**

**Overview:** As illustrated on Attachment 5, during fiscal 1992, Edmondson caused the accounting staff at Regal Group to record a receivable for approximately \$3.126 million in connection with a purported June 1992 sale of travel irons (called sisson irons) to an entity called Uprise Sales, Inc. ("Uprise"). The receivable, which was on the books as of the end of fiscal 1992, subsequently was paid down during the FY 1992 audit by the deposit of two cashier's checks -- one for \$1.3 million, and the other for \$1.5 million -- that were printed with the name "Uprise Sales, Inc." as the remitter.

This reported receivable is bogus because Regal Group never sold sisson irons to Uprise Sales, Inc. or Uprise, Inc., and the money used to purchase the cashier's checks came from Gateway -- Toll and Edmondson's defunct company -- and not Uprise. (Ultimately the money came from Toll and Edmondson's misappropriation of Regal's stock as discussed in section II.B. below.)

Edmondson caused this receivable to be placed on Regal Group's books by having a fake bill of lading and a mock-up invoice reflecting the purported sale sent to Regal Group's accounting department. Moreover, during the fiscal year 1992 audit, Edmondson provided the auditors with accounting "lead sheets" that reflected the receivable and a fake bill of lading to substantiate the receivable. He also misrepresented to the auditors that Uprise had partially paid on the receivable and showed them the bank statements reflecting the deposit of the cashier's checks to convince them of this.

## **2. Fake Inphomation, Inc. Royalty Receivable**

Inphomation was acquired by Regal in September of 1993. Prior to this, the companies had a legitimate business relationship in which Regal Group resold to Inphomation media air time which Regal Group had purchased from various cable networks.

At the end of fiscal year 1992, Edmondson caused Regal Group's accounting staff to book a \$2,200,232 receivable purportedly due from Inphomation for "royalties" earned July-September of 1992. He did so by presenting to Regal Group's accounting department documents confirming the royalty: (a) a bogus contract signed by Toll and bearing the forged signature of Michael Warren Lasky, the president and owner of Inphomation; (b) a bogus invoice to Inphomation for the royalties; and (c) fake AT&T billing statements purporting to reflect royalty revenue.



Edmondson provided these same materials, along with accounting lead sheets reflecting the bogus receivable, to Regal's auditors during the fiscal year 1992 audit.

Like the "Info" and Uprise receivables, the Inphomation receivable was fake. Inphomation's owner, Mike Laskey, and controller, Naresh Mirchandani, have confirmed that: (1) Inphomation never owed Regal Group any royalties, let alone one for \$2,200,232; and (2) the documents used by Edmondson to support the receivable are fake.

## **II. FISCAL YEAR 1993**

Defendants Toll and Edmondson cooked the books in three different ways in fiscal year 1993, and they all involved Clark Advertising. In fiscal year 1993, Toll and Edmondson used Clark to secretly circulate money back and forth to Regalfone to: (1) pay down the fake \$2,252,325 "Info" receivable booked on Regalfone's books at the end of FY 1992 (as discussed above); (2) fraudulently inflate revenues reported to the public regarding Regalfone's 900 line business (as discussed in this section); and (3) to cover-up the fact that they had received stock from Regal without paying for it (discussed in a Section II B, below).

These transactions had the effect of making Regal appear more financially healthy than it was. More specifically, in fiscal year 1993, Regal reported to its auditors negative retained earnings of \$3.695 million and a net loss of \$7.814

million. The government's expert would testify that Regal's negative retained earnings were actually \$18.7 million and net loss was \$17.4 million.

The bogus revenue booked by the defendants materially misstated Regal's financials for FY 1993.

#### **A. The Clark Circulations**

**Overview:** Clark Advertising was a private corporation owned by Toll and Edmondson and run by them with the assistance of Joseph Salvati. Clark placed advertising time with TV and radio media to promote Regal's 900 lines. In 1992, Toll and Edmondson came under pressure from the investment community to spin-off the related companies with which Regal did business. To quell these concerns, beginning with its 1992 10K, Regal reported in its public filings that Toll and Edmondson had sold Clark to "an independent group of investors." The evidence shows that this was a lie, and that Toll and Edmondson owned and controlled Clark until the fraud was discovered.

Moreover, Toll and Edmondson also owned and controlled National Audiotex, a service bureau used by Regalfone located in Florida. Throughout fiscal year 1993, Regal reported that it was owed large receivables by National; however, Toll and Edmondson concealed their control of National from Regal's auditors. In order to insure that their control of National was not discovered, Edmondson made an effort to create the appearance

that it was owned and controlled by a friend of his, Mike Jurina, which included having Jurina incorporate the company in Florida and then forging Jurina's signature on National's tax returns. Moreover, Edmondson lied about his control of National when questioned directly by Regal's auditors.

As stated above, these lies and omissions had several purposes, one of which was to make it appear as if Regalfone (and ultimately Regal) was earning more revenue than it actually was. Beginning in February 1992, and continuing up until November 30, 1993, the defendants used Clark to secretly circulate millions of dollars between the checking accounts of Regalfone and Clark so that the money, when circulated back to Regalfone, could be misreported as revenue on Regal's books. The scheme worked as follows: Edmondson would book or cause Regalfone's accounting staff to book a bogus receivable from "AT&T," "Info" or "National" on Regalfone's books. In order to make the receivable appear genuine and collectible, Toll and Edmondson would then circulate Regalfone's own money through Clark back to Regalfone to pay down the receivable. The payments from Regalfone to Clark -- in the form of checks signed by Toll -- were treated on Regalfone's books as media expenses<sup>2</sup>, while the payments from Clark back to Regalfone -- in the form of checks signed by Edmondson -- were treated on Regalfone's books as revenue from

---

<sup>2</sup> The media expenses were classified as either media placement expenses or prepayment of media.

"National," "Info" (apparently a reference to Inphomation) and "AT&T."

Although Regalfone did purchase some media time through Clark during this period, that amounted to \$5-6 million at most, not the \$24 million claimed in Regal's books. Moreover, all witnesses questioned who are knowledgeable about Clark agreed that there was no legitimate reason for Clark to pay Regalfone over \$24 million during this period, and that Clark never collected money from National Audiotex, Inphomation, AT&T or any other long distance phone company or service bureau which it would need to remit to Regalfone.

During the fiscal year 1993 audit, Edmondson gave Regal's auditors accounting lead sheets reflecting the bogus revenue and receivables for "AT&T," "Info" and "National." To substantiate the claimed revenue, he also provided the auditors with a variety of bogus documents including: (a) a binder filled with fake AT&T monthly account statements allegedly reflecting money due from AT&T; and (b) Regalfone bank statements to substantiate that these receivables had been paid down, when he knew that the deposits reflected in these statements had actually come from Clark (and ultimately Regalfone itself). When the auditors became suspicious of Regalfone's reported fiscal year 1993 revenue, Edmondson told them a series of lies in an attempt to convince the auditors to sign off on the audit. He was

unsuccessful.

**B. Diversion of Regal stock**

In the spring of 1992, Regal completed a private placement offering of units which allowed Regal to raise over \$4 million from investors. Each unit that was sold consisted of one share of stock and one warrant to purchase stock in the future at a locked-in price.

In the fall of 1992, Toll and Edmondson, assisted by Fisher, secretly diverted Regal stock worth millions of dollars by having Gateway Telecommunications Corporation ("Gateway")-- a company Toll and Edmondson privately owned and controlled -- exercise fictitious warrants purportedly issued in the private placement. Regal was never paid the full amount it was owed for the warrants or for the stock. However, Edmondson manipulated Regal's books and records to conceal this from Regal's auditors. Defendant Toll then sold 200,00 shares of the resulting stock on the open market and secretly circulated the funds back to Regal -- by way of two cashier's checks -- to pay down part of the bogus Uprise receivable discussed above. See Attachment 4. Defendant Toll personally received an additional 200,000 of these fraudulently issued shares.

\* \* \*

**Witnesses and Other Evidence:** Had this matter proceeded to trial, the government would have introduced hundreds

of documents, charts and graphs, including accounting records, bank records, SEC filings, correspondence, and accountant work papers which would have documented the transactions outlined above. In addition, the government would have called to testify more than 50 witnesses, including experts, to explain these transactions and their impact on the publicly filed documents with the SEC. Accountants would have testified about the misrepresentations made to them during the audits of the publicly traded company. Witnesses identifying the charged mailings and wires would have also testified. Finally, victims who invested in Regal would have testified, including celebrity Joan Rivers whose companies were purchased in a stock trade transaction and who lost millions of dollars in that deal. Ms. Rivers would have testified about how she relied on Arthur Toll's representations about the financial health of Regal Communications.

Respectfully submitted,

MICHAEL R. STILES  
*United States Attorney*

---

ALICIA STROHL RESNICOFF  
Assistant United States Attorney

---

LINDA DALE HOFFA  
Assistant United States Attorney

December 3, 1999

**CERTIFICATE OF SERVICE**

I hereby certify that on December 3, 1999, I caused to be served by hand deliver a copy of the attached government's Change of Plea Memorandum on the defense counsel in this case:

Joseph M. Donley, Esquire  
Kittredge, Donley, Ellsem, Fullem & Embick  
421 Chestnut St; 5th Floor  
Philadelphia, PA 19106  
Attorney for Defendant Edmondson

---

LINDA DALE HOFFA  
Assistant United States Attorney